



CURRENCY

Committee on Financial Services

Michael G. Oxley, Chairman

**For Immediate Release:
Tuesday, July 24, 2001**

Contact: Peggy Peterson at 226-0471

Financial Institutions Subcommittee to Hear from Regulators on Deposit Insurance Reform

The House Financial Services Subcommittee on Financial Institutions and Consumer Credit, chaired by Rep. Spencer Bachus (AL), will hold the second in a series of hearings on federal deposit insurance reform at 10 a.m. July 26 in room 2128 Rayburn.

During a May 16 hearing, the Subcommittee heard testimony on a variety of reform proposals from outgoing Federal Deposit Insurance Corporation (FDIC) Chairman Donna Tanoue. On July 26, federal regulators will appear before the Subcommittee to share their viewpoints on federal deposit insurance reform.

Current FDIC regulations require banks to pay a 23 basis point premium on all deposits if the required reserve ratio of premiums held to deposits insured falls beneath 1.25 percent. If an economic slowdown were to require payouts from the fund, decreasing the reserve ratio and invoking the 23 basis point premium spike, it would reduce lending by an estimated \$65 billion.

"The Subcommittee's hearing is particularly timely in light of recent FDIC statistics showing that, if current trends persist, every bank in America could be facing a 23 basis point haircut. Therefore, it is not surprising that in the House and the Senate, on both sides of the aisle, there is broad support for reforming the system," said Rep. Bachus.

If banks did not face a 23 basis point premium spike, they would have an additional \$65 billion available for consumer loans that could potentially stimulate a struggling economy. The premium spike would not only withdraw capital from the economy and further exacerbate an economic slowdown, but harm those who need credit most, as low-

income individuals and those with poor credit histories would be the first hurt by the decrease in lending capital.

"FDIC insurance was developed many decades ago, yet the industry is constantly changing and is now operating in a very different post-Gramm-Leach-Bliley world," House Financial Services Committee Chairman Michael G. Oxley said. "Since the funds are in good health, it's a good time to consider modernization."

Scheduled to testify are:

- Laurence H. Meyer, Governor, Board of Governors of the Federal Reserve System
- Representative from the U.S. Department of the Treasury
- John D. Hawke, Jr., Comptroller, Office of the Comptroller of the Currency
- Ellen Seidman, Director, Office of Thrift Supervision

###